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CRC players up in arms over dumping

BY **JOSE BARROCK**

THE EDGE

The flat steel sector is in chaos again — this time because of the dumping of cold rolled coil (CRC) in Malaysia. The dumping could adversely impact the entire sector, and if not addressed, could even wipe out the industry.

"The big danger here is if we don't resolve this dumping activity, you will see the cold rolled division (in Malaysia) collapse," says Mycron Steel Bhd executive chairman Tunku Datuk Yaacob Khyra. "Next, will be the galvanizing industry and the coating industry because once cold rolled (coil) disappears, galvanized and coated materials will be dumped into Malaysia, and they will collapse. Then every layer of value-add will collapse — cold rolled first, then the galvanizers, the coaters, and eventually the drum makers, the pipe makers, the furniture makers ... all will collapse in the end, anything using steel will collapse if you don't put in enough safeguards to protect the industry," he tells *The Edge* in an exclusive interview.

It is understood that the dumping of CRC accelerated between last August and January this year.

Three of the main local CRC players — Mycron, CSC Steel Holdings Bhd and YKGI Holdings Bhd — have written to the Ministry of International Trade and Industry (Miti) seeking assistance and asking for five measures to be taken. The measures sought include restrictions on imports or implementation of quotas; import licensing by Miti and anti-dumping duties to be made retrospective to the date of the breach. The steel players also want any application for CRC imports to be made through Mesyuarat Mingguan Besi Keluli (MMBK) — a technical committee to evaluate import duty exemption applications for raw materials of iron and steel products. Lastly, they want an independent tier one audit firm to be appointed to ensure specifications or quality standards are not manipulated to import CRC at the expense of domestic manufacturers.

Yaacob's Melewar Industrial Group Bhd holds a 71.26% stake in Mycron. At YKGI, Marubeni-Itochu Steel Inc has 26.78% equity interest, while Yung Kong Co Bhd — a vehicle of the Hii family — has 15.34%. China Steel Asia Pacific Holdings Pte Ltd controls 46.3% of CSC.

KENNY YAP/THE EDGE

Yaacob: For now, nobody dares expand because the market place is unstable. You have dumping ... Right now, I dare not

According to Yaacob, retrospective anti-dumping duties are a must (see excerpts from the interview below).

In their letter to Miti, CSC, Mycron and YKGI name Vietnam, India, South Korea and Japan as the sources of the cheap CRC imports.

Interestingly, anti-dumping duties were imposed for alloy and non-alloy steel CRC in May 2016 specifically on imports from China, South Korea and Vietnam, but seem to have had little impact.

The problem of low import duties

Over a period of 17 months from the time anti-dumping duties were imposed, shipments from Vietnam and South Korea increased by 32%, while imports from China fell 38%.

To put things into perspective, over the 17 months prior to the imposition of anti-dumping duties (January 2015 to May 2016) imports from South Korea totalled 200,613.5 tonnes, but increased by 32% from June 2016 to October 2017, amounting to 264,591.80 tonnes. Similarly, imports from Vietnam amounted to 120,529.44 tonnes from January 2015 to May 2016, and rose 32% to 158,839.53 tonnes (from June 2016 to October 2017).

Imports from China, however, fell 38% from 193,547.19 tonnes between January 2015 and May 2016, to 119,612.47 tonnes from June 2016 to October 2017 (see table 2).

This increase could be a result of the low import duties imposed on CRC from South Korea and Vietnam (see table 1).

Checks reveal that Malaysia imposes an import duty of 3.06% on Posco Vietnam Co Ltd compared with 13.68% on other Vietnamese companies. In contrast, Indonesia imposes a 12.30% import duty on Posco Vietnam and 27.80% on other companies.

Malaysia imposes a 3.78% import duty on Posco South Korea, and 11.55% on imports from Hyundai, compared with Indonesia's 10.9% and 11% rates respectively (see table).

Other countries seem to be firmer in their approach.

In early December last year, the US Department of Commerce slapped hefty im-

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TABLE 1

SOURCE: COMPANIES

Anti-dumping duties in the US, Indonesia and Malaysia (%)

COUNTRIES	STEEL MILL	MALAYSIA	INDONESIA	USA
China	Bengang Steel plates Co Ltd	5.61		265.79
	Jiangsu Shagang International Trade Co Ltd	13.44		265.79
	Wuhan Iron and Steel		13.60	265.79
	QinHuangDao Tongye Cold Rolled Steel Strip Co Ltd		43.50	265.79
	Others	23.78	43.50	265.79
Vietnam	Posco Vietnam Co Ltd	3.06	12.30	
	Others	13.68	27.80	
Korea	Dongbu Steel Co Ltd		10.60	20.33
	Hyundai	11.55	11.00	34.33
	Posco	3.78	10.90	
	Posco Daewoo International Corp			6.32
	Others	21.64	11.00	20.33
Japan	JFE Steel		18.60	71.35
	Kobe Steel		55.60	71.35
	Nippon Steel Corp		55.60	71.35
	Nisshin Steel Corp		55.60	71.35
	Sumitomo Metal Industries		55.60	71.35
	Others		55.60	71.35

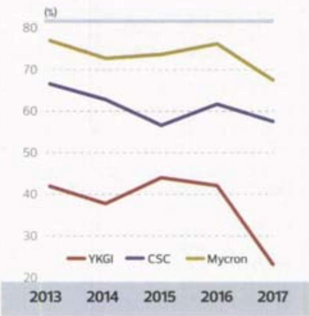
TABLE 2

SOURCE: DEPARTMENT OF STATISTICS, OTHERS

Imports from alleged and non-alleged countries for 17-month period (before and after anti-dumping duties)

COUNTRIES	BEFORE IMPOSITION (TONNE) (JAN 15 – MAY 16)	AFTER IMPOSITION (TONNE) (JUNE 16 – OCT 17)	CHANGE (%)
China	193,547.19	119,612.47	-38
Korea	200,613.50	264,591.80	32
Vietnam	120,529.44	158,839.53	32
Total alleged	**514,690.13**	**543,043.80**	**6**
Australia	50,693.27	40,830.35	-19
India	9,803.68	84,423.89	761
Japan	431,530.83	501,651.81	16
Chinese Taipei	162,953.63	144,572.44	-11
Others	2,198.22	2,836.33	29
Total non-alleged	**657,179.63**	**774,304.82**	**18**

Plant utilisation of domestic CRC players



port duties on steel products from Vietnam that originate from China. The Vietnamese CRC, according to news reports, are levied combined anti-subsidy and anti-dumping duties of 531%, while combined duties on corrosion-resistant steel total 238%.

Low plant utilisation, less earnings

While the imports of CRC from Vietnam and South Korea into Malaysia have increased by almost a third, the utilisation rate of the local CRC plants has been slipping.

At YKGI, it was a mere 23.17% last year, compared to CSC's 57.47% and Mycron's 67.55%. Mycron's utilisation rate was 76.25% in 2016. Similarly, at CSC, the utilisation rate has dropped from 61.67% in 2016 to 57.47% last year (see table and chart).

The effect on their bottom lines can already be seen. Meanwhile, the companies are also grappling with higher costs as with gas and electricity prices have risen sharply over the past few years.

Apart from that, the imposition of the Goods and Services Tax in April 2015 has also led to increased costs, while a hike in electricity and gas tariff hike was implemented this year.

According to industry players, the quantum of the natural gas tariff increase has been almost 100% over the past four years, translating into an additional RM200 million a year in costs for the steel industry overall.

For its first financial quarter ended September 2017, Mycron posted a net profit of RM5.81 million — a 42.36% drop from a year ago — from RM179.75 million in revenue, which gained 7.31%.

Mycron's segmental reporting indicates that out of RM8.11 million in pretax profit, CRC only contributed RM2.77 million, or 34.15%, with the remainder coming from steel tubes, which generated RM66.36 million or about a third of revenue.

For its nine months ended September, YKGI suffered a net loss of RM8.11 million from RM283.82 million in sales. For the corresponding period last year, it made a net profit of RM6.28 million from RM293.75 million in sales.

For its nine months ended September, CSC registered a net profit of RM44.99 million from RM956.07 million in sales. Nevertheless, net profit was down 28.02% despite revenue gaining close to 28% from the corresponding period a year ago.

Says Yaacob, "You cannot blame the exporter who sends it into our country... it is the responsibility of the Malaysian importer who buys it cheap to make sure our country has a solid manufacturing base and is not subject to dumping and bully tactics.

"Everybody in the industry is responsible for the safety and security of our industry. It is not Miti's responsibility, which is just an independent determining body ... it's everyone's responsibility. If we all act responsibly, then we will have a great economy."

Mycron's capacity is 250,000 tonnes of CRC a year. Until the dumping escalated, it was doing 200,000 tonnes per annum, or about 80% of capacity, he says. The steel tube plant operates at about two-thirds capacity.

"For now, nobody dares expand because the market place is unstable. You have dumping ... Right now, I dare not; no one dares invest as our policies are not solid enough to protect manufacturers. It just requires a little bit of tweaking, but I think we're nearly there," he says.

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